

Message Text

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ACTION EA-06

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C O N F I D E N T I A L SECTION 1 OF 2 PEKING 1806

LIMDIS

FOR SECRETARY'S PARTY

E. O. 1(TWC GDS
TAGS: ETRD, ESTR, ETEL, CH, US
SUBJECT: CALL OF EIA DELEGATION ON CHIEF OF USLO

1. SUMMARY. AN EIGHT-MAN DELEGATION FROM THE ELECTRONICS INDUSTRY ASSOCIATION LED BY SIDNEY TOPOL CALLED ON THE CHIEF OF USLO AUGUST 16 TO BRIEF HIM ON THEIR VISIT TO PEKING AND TO PROPOSE RELAXATIONS ON U.S. MUNITIONS CONTROL AND EXPORT CONTROL ITEMS. DELEGATION ASKED THAT SECRETARY VANCE RESPOND FAVORABLY IF THE PRC RAISES THE SUBJECT OF PURCHASE OF A DOMESTIC COMMUNICATIONS SATELLITE. USLO RECOMMENDS A MORE POSITIVE USG ATTITUDE TOWARD CHINESE PURCHASE OF TECHNOLOGY FROM THE U.S. AND A RE-EXAMINATION OF THE MUNITIONS CONTROL PROHIBITION ON EXPORT OF COMMUNICATIONS SATELLITES. END SUMMARY.

2. THE GROUP SAID THEIR RECEPTION WAS EXCELLENT; THE CHINESE WERE MUCH MORE RELAXED THAN DURING THEIR PREVIOUS VISIT IN NOVEMBER 1975 AND WERE MUCH
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FREER ABOUT PROVIDING INFORMATION TO THE EIA GROUP. THE EIA GROUP VISITED THE CHINESE TELEPHONE AND TELEGRAPH OFFICES IN PEKING, THE SATELLITE GROUND STATION AND THE TACHING EXHIBITION. IN EVERY AREA THEY VISITED, WITH ONE EXCEPTION (A CHINESE-BUILT SATELLITE GROUND STATION), THEY WERE PERMITTED TO OPEN

EQUIPMENT, AND THE CHINESE ANSWERED
ALL THEIR QUESTIONS WITH APPARENT FRANKNESS.

3. OUTSIDE THEIR FORMAL PRESENTATION, MOST OF
THEIR TALKS WERE WITH YANG WEI AND HSU PIN ODR
MACHIMPEX. EARLY IN THE VISIT, THE CHINESE
CONCENTRATED ON SATELLITE COMMUNICATIONS, BUT
LATER BROADENED THEIR DISCUSSIONS TO GENERAL
DOMESTIC TELECOMMUNICATIONS POLICY. LED BY
HSU PIN, THE CHINESE FREQUENTLY RAISED THE
SUBJECT OF OBSTACLES TO TRADE BETWEEN THE PRC
AND THE U.S., PARTICULARLY U.S. EXPORT CONTROLS.
HSU ASKED SEVERAL OF THE MEMBERS WHICH SPECIFIC
EXPORT COMMODITIES THEIR FIRMS MANUFACTURED WHERE
ON EXPORT CONTROL.

4. THE GROUP SAID THEY WERE SURPRISED BY THE
AMOUNT AND SOPHISTICATION OF CHINESE TELECOMMUNICATIONS
EQUIPMENT. THEY FELT THAT AT PRESENT LEVELS
(200,000 TELEPHONES IN PEKING) THE CHINESE
DID NOT NEED MUCH MORE TELEPHONE TRANSMISSION
EQUIPMENT AND COULD BE CONTENT WITH POINT-TO-
POINT MICROWAVE, BUT AN EXPANSION OF NATIONAL
TELEVISION WOULD MEAN THAT CURRENT SYSTEMS
WOULD BECOME INADEQUATE. IN TELEGRAPH AND
TELEX COMMUNICATIONS, HOWEVER, THE CHINESE
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ARE RELATIVELY BACKWARD. THE GROUP WAS SHOWN
A 1,000-LINE REED ELECTRIC SWITCH, CROSS-BAR
SWITCHES, TELEPHONE SYSTEMS WITH 600, 960
AND 1,000 CIRCUITS OPERATING MAINLY AT 64
MEGAHERTZ, AND AN ELEGANT TELEPHONE CONFERENCE
ROOM USED FOR LONG-DISTANCE TELEPHONE CONFERENCES.
AT THE TACHING EXHIBITION, THE DELEGATION WAS AMAZED TO SEE A
CHINESE-BUILT SATELLITE GROUND STATION WITH AN
11-METER DISK ANTENNA WHICH OPERATES BETWEEN
4 AND 5 GIGAHERTZ.

5. THE GROUP FEELS THAT THE PRC TELECOMMUNICATIONS
SYSTEM IS WELL ORGANIZED AND MANAGED AND THAT
THE CHINESE KNOW PRECISELY WHAT THEY WANT.
THEY ARE DEFINITELY INTERESTED IN DOMESTIC
SATELLITE COMMUNICATIONS, POSSIBLY FOR
EXPANSION OF TELEVISION COVERAGE. PAUL S.
VISHER, REPRESENTATIVE OF HUGHES AIRCRAFT,
SAID THAT A "SOUTH AMERICAN FRIEND" HAD SEEN
SEVEN CHINESE SATELLITE GROUND STATIONS AND
BELIEVED THE CHINESE HAD A TOTAL OF 30 - 40,
AND THAT THEY WERE WORKING ON A PROTOTYPE OF

A COMMUNICATIONS SATELLITE. VISHER SAID HE WAS SPECIFICALLY TOLD BY THE CHINESE DEMONSTRATING THE GROUND STATION AT THE TACHING EXHIBITION THAT "WE ARE BUILDING AN EXPERIMENTAL SATELLITE." ANOTHER CHINESE SAID "IF YOU DON'T REMOVE YOUR EMBARGO WE WILL HAVE TO BUILD OUR OWN." VISHER ADDED, HOWEVER, THAT IT IS POSSIBLE THAT THE CHINESE WILL LEASE A TRANSPONDER FROM INTELSAT.

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C O N F I D E N T I A L SECTION 2 OF 2 PEKING 1806

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FOR SECRETARY'S PARTY

6. IN GENERAL, THE GROUP FELT THAT IF THE CHINESE ARE NOT IN A HURRY, CURRENT CHINESE TECHNOLOGY IS NOW GOOD ENOUGH TO DEVELOP AND EXPAND CHINESE TELECOMMUNICATIONS. IF THEY WISH TO DEVELOP RAPIDLY, HOWEVER, THEY WILL NEED OUTSIDE HELP, WHICH THEY COULD GET FROM THE U.S., FRANCE, WEST GERMANY OR JAPAN. THEY SAID THE CHINESE HAD TOLD THEM THAT THEY WERE ALREADY DISCUSSING SOME EQUIPMENT WITH JAPANESE FIRMS. (ON THE DAY BEFORE THE DELEGATION'S DEPARTURE, THE FRENCH EMBASSY TOLD USLO THAT THEY HAD BEEN ASKED BY "SEVERAL FRENCH FIRMS" TO FIND OUT ABOUT THE MISSION, SINCE THE FRENCH WERE WORRIED ABOUT THE U.S. STEALING A MARCH IN TELECOMMUNICATIONS.

7. THE GROUP NOTED THAT THE PRC HAD JOINED
INTELSAT AND WOULD, AS A MEMBER, BE ENTITLED
TO RECEIVE ALL THE TECHNOLOGY ON THE INTELSAT
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SATELLITES. THEY BELIEVED THAT IF THE PRC
WISHED, IT COULD PROBABLY LAUNCH A SATELLITE
IN A SHORT TIME, PERHAPS USING A JAPANESE
ROCKET WITH THE EUROPEAN SPACE AGENCY BOOSTER
OR POSSIBLY EVEN BY IMPROVING THEIR BOOSTER
TECHNOLOGY AND LAUNCH ONE THEMSELVES. FOR
THIS REASON, THEY FELT THAT IT WAS URGENT
THAT THE U.S. TAKE IMMEDIATE STEPS TO GET IN
ON THE GROUND FLOOR TO SELL THE PRC A DOMESTIC
COMMUNICATIONS SATELLITE.

8. THE GROUP NOTED THAT COMMUNICATIONS SATELLITES
ARE NOT ONLY ON EXPORT CONTROL AND COCOM LISTS,
BUT ON THE STATE DEPARTMENT MUNITIONS CONTROL
LIST. THEY FELT THAT THE COMMUNICATIONS
SATELLITE WAS VERY DIFFERENT IN NATURE FROM THE
OTHER ITEMS ON THE MUNITIONS CONTROL LIST, AND,
IN VIEW OF THE FACT THAT THE CHINESE ALREADY
HAD ACCESS TO THE TECHNOLOGY, THERE WOULD BE NO
DAMAGE TO U.S. NATIONAL SECURITY IF SUCH
SATELLITES WERE REMOVED FROM THE MUNITIONS
CONTROL LIST. ONE NOTED THAT IN CASE OF WAR,
A COMMUNICATIONS SATELLITE WOULD BE HIGHLY
VULNERABLE TO DESTRUCTION BY THE U.S.
VISHNER SAID THAT HUGHES HAD ALREADY FILED A
PETITION TO DECLASSIFY SATELLITE TECHNOLOGY
BASED ON THE FACT THAT INTELSAT MEMBERS HAVE
IT ALREADY. HE ALSO RAISED THE QUESTION WHETHER
THE SALE OF A SATELLITE TO THE PRC WOULD COUNT
AS AN EXPORT IN THE LEGAL SENSE OF THE WORD,
SINCE THE SATELLITE WOULD NOT ACTUALLY BE IN
PRC TERRITORY, NOR, DUE TO ITS ALTITUDE, IN
THE NATIONAL AIRSPACE OF ANY STATE.
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9. THE GROUP SAID THAT THEY HOPED THAT
SECRETARY VANCE COULD RESPOND FAVORABLY IF THE
CHINESE SHOULD RAISE THE SUBJECT OF PURCHASING
A DOMESTIC COMMUNICATIONS SATELLITE. THEY
BELIEVED THAT IT IS POSSIBLE THAT THE PRC

WOULD BUY AN AMERICAN SATELLITE LAUNCHED BY THE U.S. AND IN SYNCHRONOUS ORBIT OVER THE EQUATOR, AND THAT SUCH A SATELLITE SALE WOULD PROBABLY MEAN THE SALE OF ADDITIONAL U.S. GROUND STATIONS TO CHINA, A TOTAL OF PERHAPS AS MUCH AS \$100 MILLION.

10. I MADE NO SUBSTANTIVE REPLY TO THE EIA REQUEST. OBIOUSLY, THEIR REQUEST IS SPECIAL PLEADING, AND WE CANNOT BE SULL OF

SOME OF THE FACTS THEY PRESENTED. MOREOVER, THERE ARE MANY FACETS OF A SATELLITE SALE, SUCH AS ITS RELATION TO OUR POLICY TOWARD THE USSR, THAT WE CANNOT EVALUATE FULLY HERE.

11. I FEEL STRONGLY IN ANY CASE THAT THE UNITED STATES SHOULD RELAX ITS RESTRICTIONS ON TRANSFERRING HIGH TECHNOLOGY ITEMS TO CHINA UNLESS THERE IS A CLEAR MILITARY DANGER TO US FROM SUCH SALES. I UNDERSTAND THAT COMMUNICATIONS SATELLITES ARE ON THE MUNITIONS CONTROL LIST, BUT THE FACT THAT THEY WERE LISTED TEN OR FIFTEEN YEARS AGO, WHEN SATELLITE TECHNOLOGY WAS MUCH MORE RESTRICTED THAN IT IS NOW, DOES NOT MEAN THAT THE BELONG ON THE LIST NOW. CHINA HAS JOINTED INTELSAT, AND PRESUMABLY CAN IMPROVE ITS DOMESTIC COMMUNICATIONS THROUGH THAT ORGANIZATION. IF THIS IS THE CASE, I FEEL THAT IT IS IN THE BROAD INTERESTS OF THE UNITED STATES TO REAP THE POLITICAL AND ECONOMIC BENEFITS OF SELLING A CONFIDENTIAL

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SATELLITE RATHER THAN LET THEM GO TO OTHERS THROUGH DEFAULT.

12. IF THE CHINESE SHOULD RAISE THE SALE OF COMMUNICATIONS SATELLITES OR OTHER ITEMS UNDER EXPORT CONTROLS, I HOPE THAT SECRETARY VANCE WILL TAKE A POSITIVE APPROACH TO THE PROBLEM IN GENERAL, AND THAT HE OFFER TO HAVE A NEW LOOK AT ANY SPECIFIC CASE RAISED, SUCH AS THE SALE OF A COMMUNICATIONS SATELLITE.
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